

Jobs and Growth Tax Act of 2003

Highlights of the CDA's Analysis of the Senate Finance Committee Legislation (Preliminary Results)

May 12, 2003

The Center for Data Analysis (CDA) at The Heritage Foundation has produced estimates of how much the Senate Finance Committee's Jobs and Growth Act of 2003 would modestly boost near and long-term economic activity. CDA economists project that:

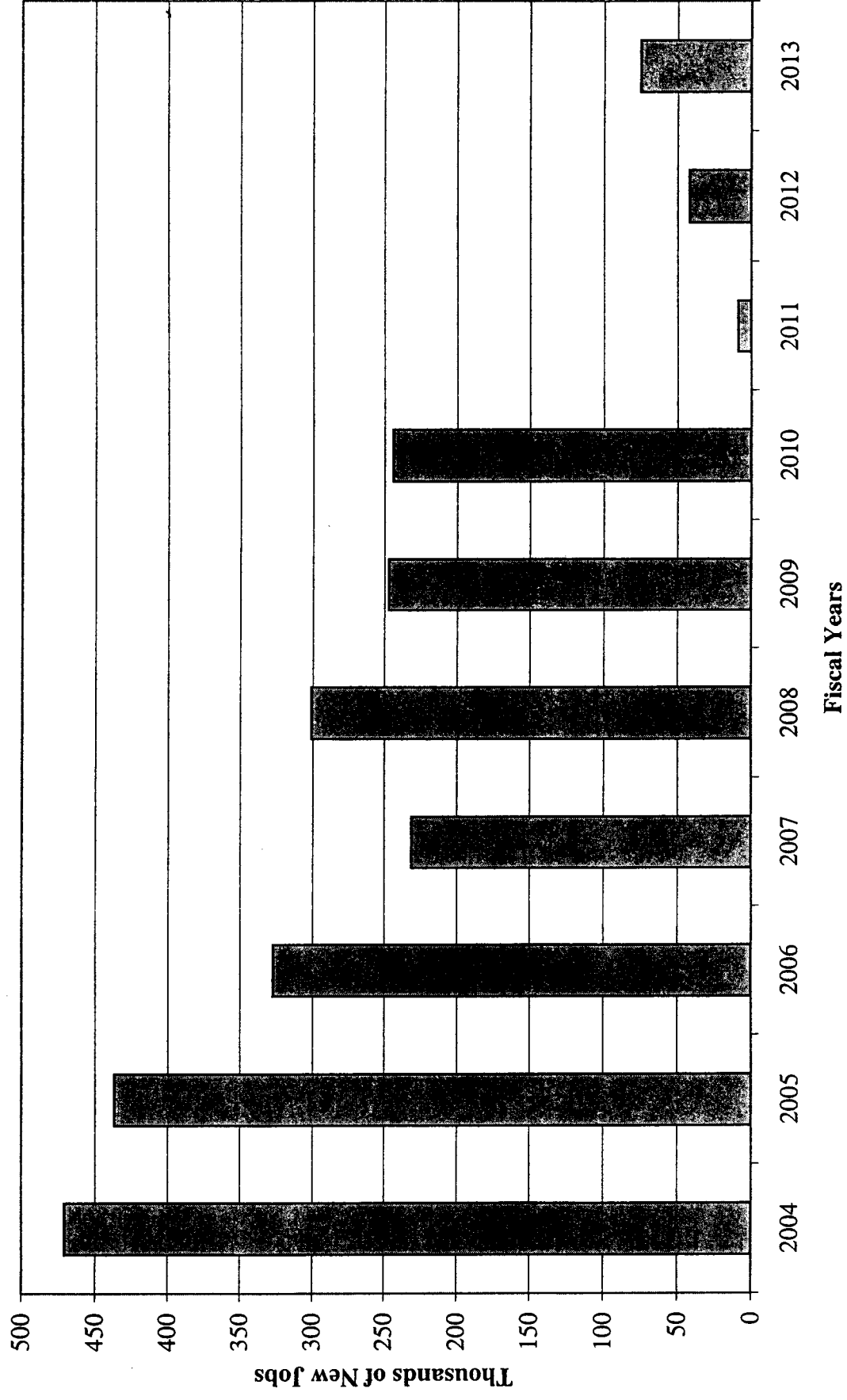
- The Jobs and Growth Act will likely lead private and public sector payrolls to increase by an average of 238,000 jobs between 2004 and 2013. In 2004, the Senate Finance Committee legislation will result in 437,000 additional jobs.
- The Senate Finance Committee legislation raises the rate of economic growth in 2004 from 3.3 percent to 3.6 percent. This 3.6 percent rate compares to growth rates in 2001 of .3 percent and in 2002 of 3.4 percent. Many economists expect the growth rate for 2003 to be only 2.7 percent.
- The U.S. economy will produce an average additional \$19.6 billion in goods and services (inflation adjusted Gross Domestic Product) between 2004 and 2013. The increase in GDP for 2004 is \$42.4 billion after inflation.
- The Senate Finance Committee legislation leads to a drop in the unemployment rate from a forecasted 5.4 percent in 2004 to 5.2 percent and from 5.2 percent in 2005 to 4.9 percent.
- After-tax income of American workers is expected to grow by an additional \$134 billion (after inflation) in fiscal year 2004. Over the entire budget period 2004 through 2013, disposable income will increase by an additional annual average of \$54 billion.
- The Jobs and Growth Act will lead to an increase in personal savings of \$92 billion in 2004. Over the ten-year period 2004 through 2013, personal savings will grow by an average additional \$28.8 billion.
- The growth in taxable income is great enough to reduce the "cost" to the U.S. Treasury by \$101 billion, for a revenue feedback of 34 percent. In other words, factoring in the economic growth stemming from this legislation means that the official cost of \$350 billion (which does not include economic growth) will decline to \$249 billion.

The Senate Finance Committee's Jobs and Growth Act of 2003 promises these economic results by:

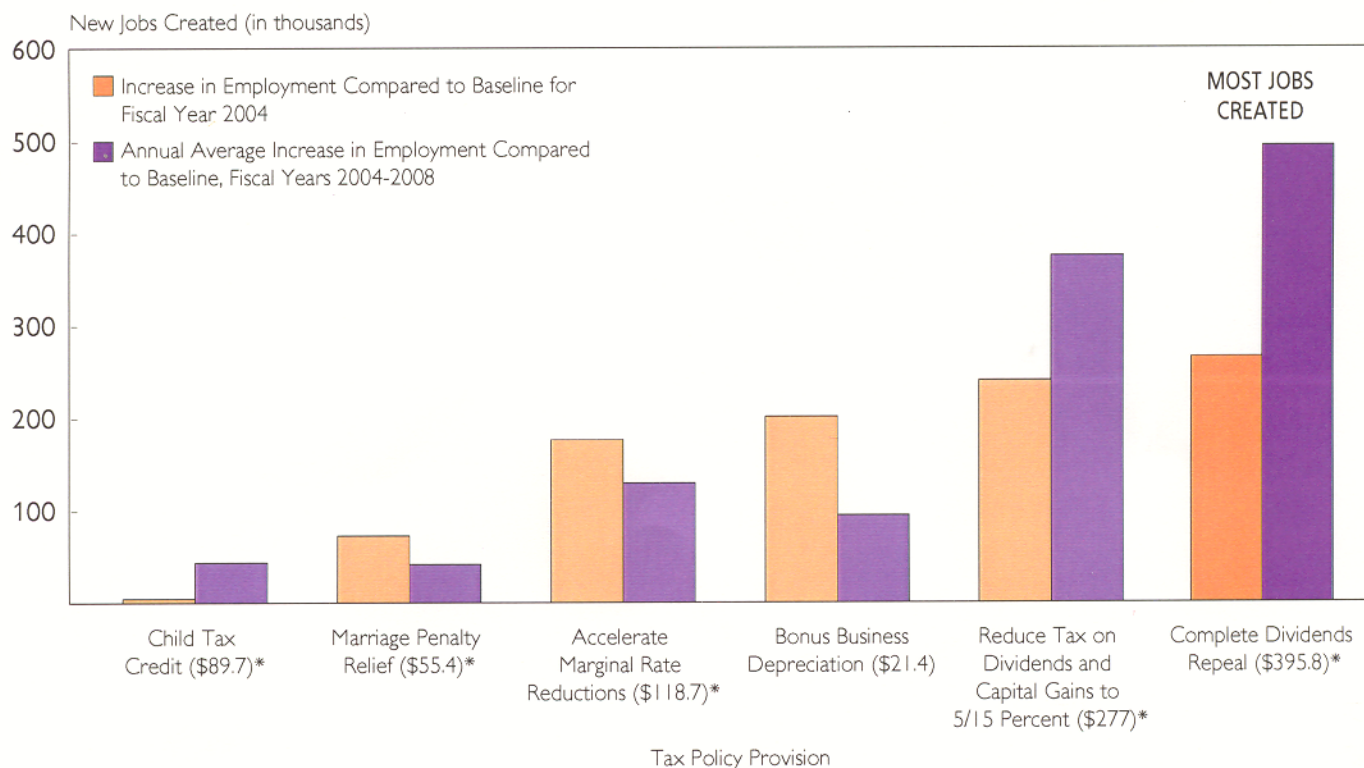
- Accelerating certain tax provisions enacted in 2001 (such as the child tax credit, marriage penalty relief, rate reductions and the new 10 percent rate);
- Excluding the first \$500 in dividend income from taxation and the next 10 percent, rising to the next 20 percent after a four-year phase in.
- Note: The Senate Finance Legislation contains \$63 billion in revenue increases. These increases tend to depress economic activity.

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Senate Finance Bill Modestly Improves the Job Market



New Jobs Created by Each Component of Proposed Economic Plans



- The 5/15 plan provides Long Term job growth second only to the dividend repeal.
- The 5/15 plan provides 75% of job growth of dividends repeal over 5 years.
- It would create 252,000 jobs in 2004 and an average of 368,000 new jobs from 2004-2008.
- Eliminating the income tax on dividends provides the greatest number of jobs.

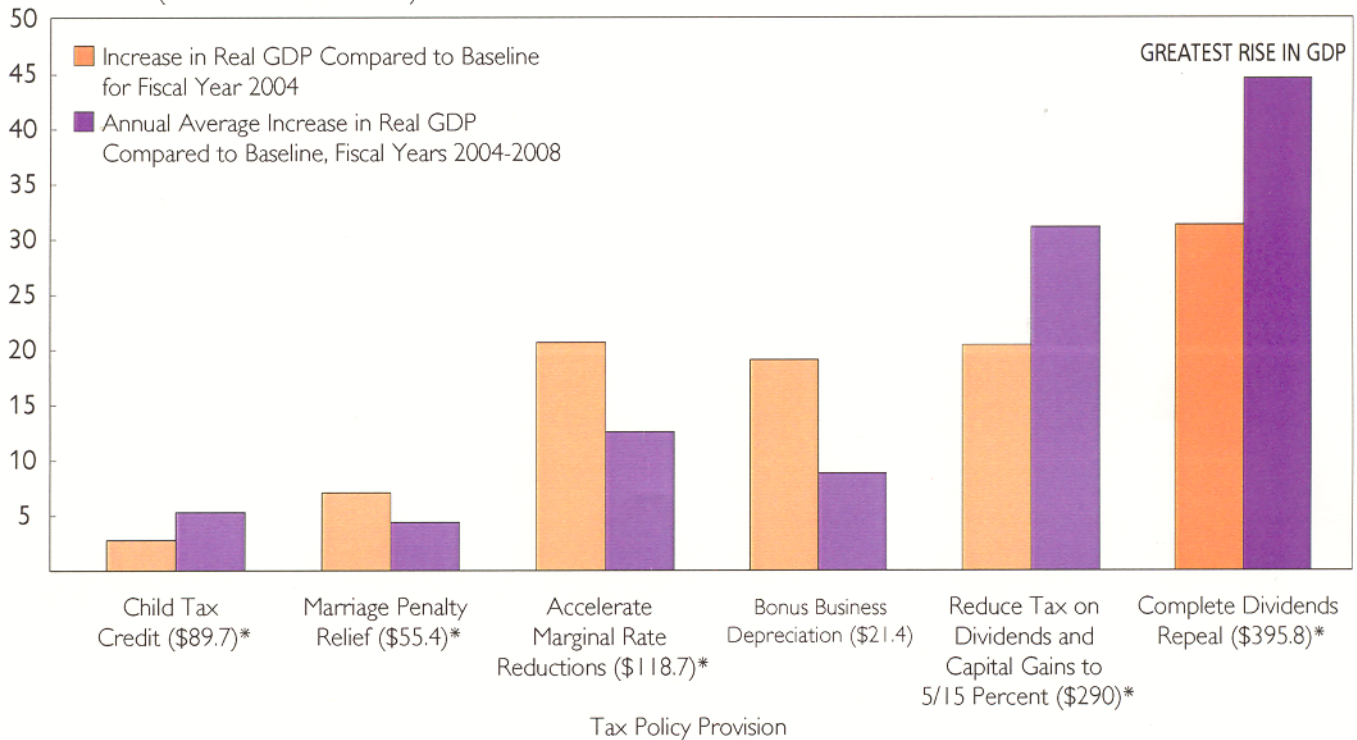
The child tax credit creates the least number of jobs: only 5,000 in the the first year.

Note: *Revenue reduction in billions of dollars.

Source: Tabulations from the Center for Data Analysis, The Heritage Foundation.

Increase in Gross Domestic Product (GDP) Produced by Components of the President's Economic Plan

Real GDP (in billions of 1996 dollars)



- The dividends proposal provides the highest GDP growth averaging \$44 billion over the next five years.

Note: *Revenue reduction in billions of dollars.

Source: Tabulations from the Center for Data Analysis, The Heritage Foundation.